

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6910

BILL NUMBER: SB 345

NOTE PREPARED: Jan 26, 2006

BILL AMENDED: Jan 26, 2006

SUBJECT: Reversal of Payment Delays.

FIRST AUTHOR: Sen. Meeks

BILL STATUS: CR Adopted - 1st House

FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires the reversal of part of the payment delays in the schedule under which: (1) Property Tax Replacement Credit and Homestead Credit amounts are distributed to taxing units; and (2) distributions to state educational institutions are made. It also makes an appropriation.

Effective Date: July 1, 2006; January 1, 2007.

Explanation of State Expenditures: *Background - Original Payment Delay:* Under current law, the state currently makes six PTRC/HSC distributions to counties each calendar year from the Property Tax Replacement Fund (PTRF). Under HEA 1001-2001, the May 2001 distribution was delayed until July 2001. Under HEA 1001-2002(ss), the May-July delay was extended to all years beginning in CY 2002. The payment that was moved is equal to 16.6% of the total annual payment.

The FY 2002 appropriation for higher education was reduced by 1/12. Since universities operate on a fiscal year budget, instead of a calendar year budget like other units of local government, this was a reduction in revenue for universities' FY 2002 budgets.

Background - 2005 Budget Bill Action: The current budget bill, P.L. 246-2005, requires the State Budget Agency to repay up to ½ of the payments delays during the FY 2006-FY 2007 biennium if there are sufficient funds available. An early distribution of 50% of the PTRC/HSC payment delay balance will equal about \$184 M. However, the Budget Agency may reduce the percentage that is to be repaid if there are insufficient balances to fund repayments of 50%. No additional payments have been made to date.

(Revised) *Bill Summary*: This bill speeds up the statutory PTRC/HSC payment schedule and makes additional appropriations to institutions of higher education. This bill appropriates \$136.5 M in FY 2007 for additional distributions of PTRC/HSC, and \$40 M in FY 2007 for general repair or repair and rehabilitation of dormitories or other student housing of state educational institutions, for a total appropriation of \$176.5 M in FY 2007.

(Revised) *PTRC/HSC*: Beginning in CY 2007, the bill would change the PTRC/HSC distribution amounts for May and July. A new May payment will equal 6.2% of the total calendar year expenditure, and the July payment would be reduced from 16.6% to 10.4%. This provision would shift 6.2% (about \$136.5 M) of the total CY 2007 distribution from FY 2008 to FY 2007. This schedule would continue for future years.

The amount of the current PTRC/HSC payment delay (from FY 2006 to FY 2007) is estimated at about \$365.5 M. The revised distribution schedule in this bill would reduce the amount of the delay to an estimated \$229.0 M.

(Revised) *Higher Education*: The bill also appropriates \$40 M to universities for general repair and replacement. The payment of the \$40 M is to reduce any claim that universities have due to the payment delay in FY 2002. The total cost estimate to reverse the payment delay to universities is about \$112.8 M. After the initial \$40 M distribution under this bill, the remaining cost of eliminating the higher education payment delay could be as much as \$72.8 M.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Total local revenue for a calendar year would remain unchanged. Some state credit payments would be received earlier in the calendar year than under current law.

State Agencies Affected: Commission for Higher Education; State Auditor; Department of Local Government Finance; State Universities; State Budget Agency.

Local Agencies Affected: Counties.

Information Sources:

Fiscal Analyst: Chuck Mayfield, 317-232-4825; Bob Sigalow, 317-232-9859.